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AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 16, 2001

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: DEPARTMENT OF PUBLIC SOCIAL SERVICES FISCAL REVIEW

We have completed a review of the Department of Public Social Services (Department) fiscal operations. Our review focused on evaluating the Department's internal controls and compliance with County fiscal policies and procedures in key fiscal areas including procurement, revenue, expenditures, and contracting. We also reviewed the Department's budgetary performance and trust fund controls.

Summary of Findings

The Department generally makes a conscientious effort to comply with established fiscal policies and procedures. We did note certain control problems, primarily in the procurement areas, which indicate management needs to improve monitoring in these areas.

Annually, when completing the County's Internal Control Certification Program (ICCP), the Department has certified that required controls and procedures are in effect. However, in actuality, key controls are not in place in several areas. Many of the non-compliances noted during our review should have been detected and corrected when completing the annual ICCP.

The following are areas where improvements can be made.

Procurement

We noted several areas in procurement where improvements are needed. For example, the Department does not always compare prices between various agreement vendors when purchasing goods, so that the best overall price is selected. The Department also does not always match the vendor invoice and packing slip or other documentation to ensure that the amounts invoiced are correct.

Warehouse Controls

The Department maintains a supply inventory with a value of approximately \$2.6 million in its warehouse. However, the Department does not maintain perpetual inventory records to account for quantities on hand, additions and issuances. In addition, during our walk-through of the warehouse, we observed unsupervised delivery people in the warehouse with access to inventory, including unlocked security cages that are used to safeguard items susceptible to theft, such as computer equipment. We also noted that storage racks were overloaded and not properly secured posing a safety hazard.

Fixed Assets/Portable Equipment

Fixed Assets are tangible assets of significant value having a useful life that extends beyond the current year. Equipment with a cost of \$5,000 or greater are also classified as fixed assets. The County Fiscal Manual requires departments to maintain a listing of all fixed assets assigned to each location and to conduct an annual fixed asset inventory. DPSS does not maintain such a listing and has not conducted a fixed asset inventory since 1995.

Portable equipment items with an individual unit cost under \$5,000 must also be controlled. The Department does not update the listing of portable equipment on a regular basis and the listing does not provide enough detail to determine the exact location of the equipment.

Travel Expenses

The Department needs to improve controls over travel expenses. For example, the Department does not reconcile charges on the monthly American Express billing statement with the Department's approved travel requests. As a result, the Department was charged for trips not taken. Also, the Department does not monitor its travel advance log to ensure employees submit expense claims and refund checks timely.

Conclusion

The Department generally conducts its financial operations in an appropriate manner. However, it needs to improve its compliance with County fiscal requirements in the areas noted and strengthen its monitoring of fiscal operations and completion of the ICCP to identify problem areas in a timely manner and take corrective action. Details of

our findings and recommendations for corrective action are included in the attached report.

Department management was very cooperative during our review and actively participated in the review process. Management recognizes the need for improvement and indicated its commitment to correct the problem areas noted. Their response to this report, including planned corrective actions, is attached.

If you have any questions regarding this report, please contact me or have your staff contact DeWitt Roberts at (213) 974-0301.

JTM:DR:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Steven J. Golightly, Interim Director, Department of Public Social Services
Violet Varona-Lukens, Executive Officer
Public Information Officer
Audit Committee

Los Angeles County Department of Public Social Services



Fiscal Review

Prepared by:
Department of Auditor-Controller

November 16, 2001

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DEPARTMENT OF PUBLIC SOCIAL SERVICES FISCAL REVIEW

Background and Scope

The Department of Public Social Services (DPSS or Department) is the largest locally-operated social welfare department in the country, with a workforce of approximately 13,000 employees and 65 facilities. The Department is responsible for providing benefits and services to approximately 1.7 million Los Angeles County residents each month. DPSS' budget for Fiscal Year 2001-02 is \$3.4 billion. State and federal funding reimburses the County for approximately 90% of DPSS' program and administrative costs.

We conducted a review of the Department's controls over its fiscal operations. Our review focused on evaluating the Department's internal controls and compliance with County policies and procedures in key fiscal areas including procurement, revenue, expenditures and contracting. We also reviewed the Department's budgetary performance and trust fund controls.

Summary

We found that the Department generally makes a conscientious effort to comply with established fiscal policies and practices. For example, the Department has established multiple budget units to strengthen budgetary controls and enhance Board oversight. In addition, the Department maintains good internal controls over the use of trust funds. However, certain control problems noted, primarily in the procurement areas, indicate management needs to strengthen monitoring in those areas.

Annually, when completing the County's Internal Control Certification Program (ICCP), DPSS has certified that required controls and procedures were in effect when, in actuality, key controls were not in place in several areas. A number of the weaknesses noted during our review should have been detected and corrected when completing the annual ICCP. Also, the Department had reported that it had implemented 15 of the 16 recommendations from our April 1998 CAPS On-Line Vendor Payment Review. However, we noted that some of the recommendations reported as implemented had, in fact, not been effectively implemented.

Details of our findings and recommendations are contained in the remaining sections of this report.

Budgeting

Budgetary Control and Adherence to County Budget

The Department uses six budget units to account for the Department's General Fund operations. Five of the six units report budgetary information for the Department's major programs: California Work Opportunity and Responsibility to Kids, Indigent Aid, In-Home Supportive Services, Refugee Resettlement Program, and Special Circumstances. The remaining unit reports budgetary information for Program Administration.

In examining the Department's adherence to its General Fund budget, we compared the Department's actual financial results to its budgets for fiscal years 1998-99 and 1999-2000. The results are summarized below:

Budgeted and Actual Financial Results
Fiscal Year 1998-99

	Budget	Actual	Over or <Under> Budget
Expenditures	\$3,050.5 million	\$2,419.3 million	<\$631.2 million>
Intrafund Transfer	\$1.3 million	\$1.4 million	\$.1 million
Revenue	\$2,673.6 million	\$2,064.3 million	<\$609.3 million>
Net County Cost	\$375.6 million	\$353.6 million	\$<\$22.0 million>

Table 1

Budgeted and Actual Financial Results
Fiscal Year 1999-00

	Budget	Actual	Over or <Under> Budget
Expenditures	\$3,116.7 million	\$2,603.4 million	<\$513.3 million>
Intrafund Transfer	\$2.5 million	1.8 million	<\$.7 million>
Revenue	\$2,795.2 million	\$2,279.2 million	<\$516.0 million>
Net County Cost	\$319.0 million	\$322.4 million	\$3.4 million

Table 2

Overall, the Department has done a good job in operating within its budgeted NCC. However, we noted that in both fiscal years, actual expenditures and revenues were significantly under budget. According to the Department, this is primarily attributable to the California Work Opportunity and Responsibility to Kids (CalWorks) program and changes in other assistance programs (e.g., General Relief Opportunities for Work, General Relief, In-Home Supportive Services, etc.) not being fully implemented during the fiscal year. As a result, additional program expenses were not incurred and the corresponding revenues were not received.

Trust Funds

The Department maintains two trust funds and 17 accounts within the County's Departmental Trust Fund (TK7). As of May 2001, the total amount of funds held in trust were \$128 million. Approximately half of the funds held in trust were welfare advances received from the State.

The Department maintains good internal controls over its trust fund activity. For example, in reviewing the controls in place over the Welfare Advance Fund and two accounts in the TK7 Fund, we noted that monies are posted to the appropriate trust fund/account and disbursements from trust funds are timely and adequately documented. Also, trust funds are reconciled and reviewed by a supervisor each month.

Procurement

Oversight of Purchasing Operations

DPSS Asset Management Section (AMS) purchases approximately \$15.5 million in services, supplies and fixed assets annually for the Department. AMS responsibilities include reviewing and approving all purchase requisitions, placing orders with vendors and coordinating certain purchasing functions performed by other units. During our review, we noted some control weaknesses in DPSS' procurement functions. AMS staff does not provide the necessary level of control and monitoring to ensure the Department's purchasing functions are operating effectively and in accordance with established guidelines and procedures.

Details of these and other findings are reported below.

Recommendation

- 1. DPSS management take a more proactive role in its oversight of purchasing functions to ensure that AMS provides the necessary level of control and monitoring to ensure the Department's purchasing functions are operating effectively and in accordance with established policies.**

Master Agreement Vendors

ISD/PCS has established master agreements with several vendors for personal computers, peripherals, software and related services. ISD Bulletin No. 78-4 contains policies related to the use of these master agreements. One of the mandatory policies is that departments compare vendor prices and select the vendor with the best overall cost consistent with the department's needs. DPSS does not always do this. For example, we were told by DPSS staff that, in August and October 2000, DPSS spent

\$46,000 and \$73,000, respectively, for computer equipment without comparing prices among master agreement vendors.

It should be noted that in the two purchases reviewed, the Department may not have realized a cost savings had other agreement vendors been used. However, without comparing Master Agreement prices and payment terms, the Department cannot ensure it will always get the best overall price and payment terms.

Recommendation

- 2. The Department instruct procurement staff to compare prices and payment terms for Master Agreements purchases before ordering supplies to ensure the Department gets the best overall price and payment terms.**

Purchasing Documents

The County Fiscal Manual, Section 4, and the ISD/PCS Procurement Manual require departments to match various purchasing documents before processing invoices for payment. For items purchased from agreement vendors, these guidelines include a requirement that departments verify invoiced amounts and terms against agreement prices and terms before processing invoices for payment. For all purchasing transactions, departments must also match the vendor invoice to the receiving report/shipping document and purchase order before processing the payment. This match is important to confirm that the number of items ordered, delivered and paid for agree.

DPSS staff does not perform the required matches on a consistent basis. We interviewed three procurement staff who review purchases from agreement vendors. Two of the three staff stated they do not compare the prices on the billing invoices with the prices listed on the vendor agreements to ensure the County was charged the appropriate price.

We also noted that because of limited warehouse space, vendors ship equipment ordered directly to locations requesting the equipment. When a DPSS location receives equipment, staff is required to provide copies of the receiving reports to AMS. However, AMS staff stated they do not always receive copies of the receiving reports timely. Thus, vendor payments are delayed, or payments are made to vendors prior to AMS reviewing and verifying that invoiced items have actually been received.

In our initial testwork, we selected 37 purchase transactions from FY 1998-99 and reviewed the procurement packets for each transaction. In ten cases (27%), discrepancies existed between the number of items ordered, delivered, and paid for. For example, in five transactions the quantity delivered and paid for was greater than the quantity ordered. In addition, one transaction was paid in full although it appears that approximately \$7,500 in computer accessories was not received. In a recent follow-

up, we reviewed 20 purchase transactions from the FY 2000-01 and noted one payment, totaling \$4,287, for furniture items was made even though AMS staff had not reviewed the receiving reports.

Although the Department has made improvements in matching payment documents, management still needs to reinforce to procurement staff the importance of comparing vendor invoices to receiving reports/shipping documents, and resolving any discrepancies prior to initiating payments to vendors.

Recommendations

The Department:

- 3. Ensure that procurement staff compare invoiced prices to the terms of the vendor agreements and that accounts payable staff review receiving reports/shipping documents, and purchase orders, and that any discrepancies are resolved before processing the vendor payments.**
- 4. Ensure that locations that receive equipment directly from vendors send copies of the receiving reports to AMS in a timely manner.**

Separation of Duties

Internal controls are enhanced when key procurement functions are separated to provide a system of checks and balances. This includes ensuring that the process of ordering goods and services is separate from the process of paying vendors. In reviewing AMS procurement processes, we noted that the same individual who approves Purchase Orders also established the accounts payable accruals. When key functions are not adequately separated, the risk of fraud and abuse increases.

Recommendation

- 5. The Department ensure that personnel who order goods/services do not have accounts payable duties.**

Internal Control Certification Program

County Code Section 2.10.015 requires each County department and special district to annually evaluate its fiscal controls in accordance with Internal Control Certification Program (ICCP) procedures established by the Auditor-Controller. Specific internal policies, procedures and practices are essential to safeguard County assets, provide accurate financial records, ensure compliance with County and departmental policies and promote efficiency and effectiveness of operations.

Some of the discrepancies noted in the sections above were identified by the Department while completing the FY 1999-2000 ICCP. Further, the Department certified

that appropriate procurement controls, to correct the weaknesses noted, would be in place by May 2000. During our review, we found certain key controls are still not in place.

Recommendation

6. **The Department monitor to ensure that corrective action is taken to correct internal control weaknesses identified during the completion of the ICCP questionnaires.**

CAPS On-Line Vendor Payment Review Follow-Up

During FY 1997-98, we conducted a review of on-line vendor payments processed by DPSS on the Countywide Accounting and Purchasing System (CAPS). Our April 1998 report contained 16 recommendations to strengthen controls over on-line payments. In July 1998, the Department reported that 15 of the 16 recommendations had been implemented and one recommendation was in progress. During our current review, we evaluated the actions taken by the Department to implement the recommendations in the April 1998 report. We found that five of the 15 recommendations reported by the Department as implemented were, in fact, not effectively implemented.

Expenditure Accruals (Recommendations 1 & 2)

We previously noted that DPSS was not appropriately establishing accruals or monitoring accrual activity. The Department responded that expenditure accruals (accounts payable) would only be established for goods/services received as of June 30th, but not yet paid for, and that management would periodically monitor accrual activity.

During our current review, we noted that DPSS still needs to improve in this area. For FY 1998-99, DPSS set up expenditure accruals totaling \$15,087,996. At the end of FY 1999-00, DPSS cancelled \$3,131,575, or 20%, of this amount because it did not represent valid payables. In addition, we tested ten payments charged against the Department's FY 1999-00 expenditure accruals. Five of the ten payments, totaling \$383,421, were for items ordered prior to the end of FY 1999-00 but not received until the following fiscal year. These should have been set up as commitments for FY 1999-00 instead of accounts payable.

Use of Vendor Codes (Recommendation 5)

The County's centralized accounting system (CAPS) maintains a Vendor Table (VEND) containing vendor codes for about 49,000 County vendors. The County Fiscal Manual, Section 4.3.6, requires that vendor specific codes be used to the fullest extent possible when processing vendor payments. We previously noted that payment voucher transactions were regularly processed using a miscellaneous vendor code rather than the appropriate vendor specific code. The Department indicated that staff had been

instructed to search the CAPS vendor table for the appropriate vendor code before making a payment. However, we noted that during FY 1999-00, 22% of the transactions made using a miscellaneous vendor code had a specific vendor code available.

Timing of Vendor Payments (Recommendations 8 & 9)

During our 1998 review, we noted that County guidelines were not consistently followed to ensure that vendors are paid timely and cash flows maximized. The Department reported that it would take the necessary action to ensure that, unless justified (e.g., vendor discounts), vendor payments would be processed 30 days from the date of receipt of the goods/services, or receipt of the invoice, whichever occurred later. However, 12 of 30 (40%) payments we examined were paid an average of 41 days after the 30-day time frame. Also, eight (27%) of the payments were paid an average of 16 days prior to the due date. None of these eight payments involved vendor discounts.

Recommendation

- 7. The Department ensure recommendations contained in the CAPS On-Line Vendor Payment Review report are effectively implemented and remain implemented.**

Warehouse Controls

DPSS maintains a supply inventory with a value of approximately \$2.6 million in its warehouse. The Department uses the automated Inventory Management System (IMS) to monitor and control supply inventories. IMS is a database system designed to maintain a perpetual inventory record of stock on-hand at AMS. However, the Department has not updated the automated inventory system or maintained perpetual inventory records since May 2000. We reviewed the Department's controls over supplies stored in the warehouse and noted the following:

- Perpetual inventory records that account for the quantities on-hand and additions and issuances are not maintained.
- During our walk-through of the warehouse, we noted nine unsupervised delivery people in the warehouse with access to inventory, open boxes of supplies and loose equipment in unrestricted areas, unlocked security cages used to safeguard inventory susceptible to theft with a high street value (e.g., computer equipment), and inventory unsecured on the load dock waiting to be shipped.
- We observed that several employees parked in the warehouse loading/unloading areas instead of the area designated for employee parking. This could facilitate unauthorized removal of supply items.

- Inventory storage racks were overloaded and not properly secured posing a safety hazard.

We previously reviewed DPSS' automated inventory system in 1993. In our July 19, 1993 report, we recommended that the Department correct programming errors and enhance system capabilities to more effectively track inventory usage, such as a report that lists manual adjustments to inventory totals. The Department reported that these recommendations had been implemented. However, based on our current review, the needed enhancements/controls are still not in place. The Department has informed us that they are implementing a new bar-coding system, which will enable the Department to maintain perpetual inventory records.

Recommendations

The Department:

8. **Ensure accurate perpetual inventory records are maintained.**
9. **Ensure that unsupervised access to inventory areas is restricted to authorized personnel only.**
10. **Instruct warehouse employees to park in the area designated for employee parking and not in the warehouse dock area.**
11. **Ensure that adequate safety measures are taken to reduce the risk of employee injury.**

Fixed Assets

The County Fiscal Manual, Section 6.1.3, states that procedures should be in effect requiring the various sections and/or property locations to maintain fixed asset listings of all assets assigned to a specific unit/location. DPSS policy requires AMS to maintain a fixed asset listing of all assets assigned to each location. Also, the County Fiscal Manual requires County departments to conduct an annual inventory of their fixed assets.

We noted that the Department does not maintain a fixed asset listing that identifies the unit/location of the fixed asset. Also, the Department claimed that due to lack of staffing, a fixed asset inventory has not been conducted since 1995. To improve controls to safeguard its fixed assets, the Department needs to develop and maintain a fixed asset listing that identifies the unit/location of all fixed assets and conduct an annual inventory of its fixed assets.

Recommendation

12. The Department develop and maintain a fixed asset listing that identifies the unit/location of all fixed assets and conduct an annual inventory of its fixed assets.

Controlled Equipment

Portable items of equipment (portables) are equipment items that can be easily carried or moved. Portables with a unit cost of \$5,000 or more will appear on the County's Fixed Asset Inventory Listing. However, a significant number of portables, such as personal computers, have a unit cost of less than \$5,000. These items must be controlled and accounted for separately.

During our review of the Department's internal controls over portable computer equipment, we noted the following:

- The portable inventory listing maintained by the Department's Office of Information Technology is not updated on a regular basis and the listing of computer equipment specifies only the location, not the person to whom equipment is assigned. This makes it difficult to locate specific equipment timely, if needed.
- DPSS does not have policies that address providing County assets to consultants. Several consultants' contracts specify that DPSS will provide equipment needed to complete work requirements. However, the contracts do not specifically note what equipment will be assigned, what they are to be used for or why they are needed to perform the work requirements. We also noted Equipment Agreements with the Department's contractors do not include a description of the item being assigned, manufacturer's serial number, or the issuer's initials as required by the County Fiscal Manual Section 6.4.2.

In addition, the Department recently began requiring written justification for home-use of DPSS-owned portable computer equipment. The justification must be approved by an individual at the Division Chief level or higher. Once approval is acquired, the employee completes an Equipment Agreement. We reviewed 37 completed documents used to justify the home-use of DPSS-owned computers. Generally, the reasons justifying the need to use County computer equipment at home were non-specific, which made it difficult to determine whether staff really needed County computer equipment at their residence. For example, the most frequent reason used to justify home-use of DPSS-owned equipment was "To facilitate work at home."

Recommendations

The Department:

- 13. Maintain a department-wide computer inventory listing that identifies the individuals assigned specific computer equipment.**
- 14. Develop specific policies that address assigning computer equipment to non-County (Contract) employees. The policies should include the requirement to justify the reasons for providing non-County employees with County-owned equipment and procedures to document/account for specific items being assigned to the non-County employees.**
- 15. Require specific detailed written justification for home-use of DPSS-owned computer equipment.**

Travel Expenses

Occasionally, DPSS employees travel out of the County for meetings, seminars and conferences. All out-of-County travel requires a travel request, approved by a Bureau Director, detailing the destination, purpose and justification of the trip and expenses that will be incurred. This information is forwarded to the travel coordinator who reviews the request, obtains the Department Director's approval, assigns a travel request number and enters the information in a travel log. Airline travel can be booked through American Express Travel Management Services (AE).

The travel staff stated that they do not reconcile the billing statements received from AE to the approved travel requests to ensure only airline tickets purchased by DPSS' Travel Coordinator and approved by the Director appear on the American Express billing statements. Without reconciling the billing statements to approved travel requests, charges for unapproved travel or charges incorrectly billed to the Department can go undetected. The Department needs to reconcile the AE billing statements with approved travel requests.

Recommendation

- 16. The Department reconcile the American Express billing statements to the approved travel requests.**

Revolving Fund

Departments are authorized revolving funds to make change (during regular collection activities) or to purchase goods and services which are legal and authorized charges against the County. DPSS maintains a \$20,000 revolving fund comprised of a \$17,930 checking account and a \$2,070 petty cash fund.

To ensure the proper accountability and security over revolving funds, the custodian of the fund must not have any other cash handling responsibilities (including the ability to sign checks or authorize revolving fund disbursements). Also, Departmental procedures indicate expenditures over \$500 require two signatures.

We noted that the supervisor of the Finance Division's Cashiers Unit is the secondary custodian of the Revolving Petty Cash Fund and the Cash Aid Fund. As the supervisor, she is the authorized check signer of the two funds. As the secondary custodian, the supervisor also has other cash handling responsibilities such as having access to the safe and the check-writing machine.

Recommendation

- 17. The Department ensure that the revolving fund custodians do not have other cash handling responsibilities.**

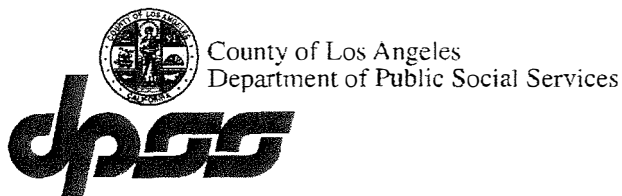
Contracting – Proposal Evaluation Process

The integrity of the competitive bid proposal evaluation process is enhanced when an evaluation committee, of three or more individuals, is assigned to review all proposals received. An evaluation committee helps to ensure that all aspects of each proposal are fairly evaluated. If the number of proposals received is not prohibitive, each proposal received should be independently reviewed by each member of the evaluation committee using some type of evaluation rating instrument. An evaluation rating instrument contains a series of questions about the proposal that must be answered based on criteria specified in the Request for Proposal.

As part of our review, we examined the evaluation instrument used to select contractors to be Benefit Issuance agents. We noted that the evaluation instrument evaluated the appropriate areas of the Request for Proposal and were weighed appropriately and that each evaluator signed their completed evaluation form. However, in reviewing two completed evaluation instruments, we noted some discrepancies in scoring. For example, one evaluator noted missing documents in the bidder's proposal, while the second evaluator noted finding the documents. After completing the evaluation instruments, the evaluators did not meet to discuss the differences in scoring that each bidder received. It should be noted that the discrepancies in scoring did not prevent a bidder from receiving a contract since all contractors submitting a bid received a contract.

Recommendation

- 18. The Department establish procedures requiring bid evaluators to meet and discuss their evaluations prior to awarding a contract.**



Steven J. Golightly
Interim Director

October 31, 2001

J. Tyler McCauley, Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-2766

Dear Mr. McCauley:

DEPARTMENT OF PUBLIC SOCIAL SERVICES FISCAL REVIEW

Attached is my Department's response to the eighteen recommendations contained in your final draft report, dated October 3, 2001, on the referenced review.

As indicated in the response, ten recommendations have been implemented, the Department disagrees with one recommendation, and the remaining seven recommendations are in the process of being implemented.

Very truly yours,

A handwritten signature in black ink, appearing to read "Steven J. Golightly", is written over the typed name and title. The signature is fluid and cursive.

Steven J. Golightly
Interim Director

SJG:aj

Attachment

DEPARTMENT OF PUBLIC SOCIAL SERVICES FISCAL REVIEW RECOMMENDATIONS

RECOMMENDATION #1

DPSS management take a more proactive role in its oversight of purchasing functions to ensure that AMS provides the necessary level of control and monitoring to ensure the Department's purchasing functions are operating effectively and in accordance with established policies.

RESPONSE

We agree with the recommendation. The Department management will provide the necessary oversight to ensure that the Assets Management Section (AMS) provides the necessary level of control and monitoring to ensure that the Department's purchasing functions are operating effectively and in accordance with established policies.

AMS has specifically addressed and resolved many of the weaknesses noted in this review and corrective action is in process with regard to the remaining weaknesses. DPSS' recent reorganization included the creation, within the Financial Management Division, of a Budget and Fiscal Services Manager position, to which AMS reports. The Budget and Fiscal Services Manager is actively engaged in efforts to improve AMS operations and will, on an ongoing basis, provide the necessary management oversight to ensure compliance with all applicable procurement policies.

STATUS

Ongoing

RECOMMENDATION #2

The Department instruct procurement staff to compare prices and payment terms for Master Agreements purchases before ordering supplies to ensure the Department gets the best overall price and payment terms.

RESPONSE

We agree with the recommendation. The Department's ongoing practice is to require bids, in accordance with ISD Bulletin 784, when purchasing computer equipment. Documentation of the bid process is reviewed by procurement staff before purchases are processed. The instances cited were unfortunate oversights and not representative of ongoing practice.

STATUS

Implemented

RECOMMENDATION #3

The Department ensure that procurement staff compare invoiced prices to the terms of the vendor agreements and that accounts payable staff review receiving reports/shipping documents, and purchase orders; and that any discrepancies are resolved before processing the vendor payments.

RESPONSE

We agree with the intent of the recommendation. The Department's current procedures require procurement staff to compare the purchase order against the terms of the vendor agreement. The procedures also require that Accounts Payable staff perform a three-way match of documents, comparing the invoice to the purchase order to the receiving report. Discrepancies are resolved prior to payment processing.

We disagree, however, with one specific finding cited by the Auditor-Controller. Accounts Payable records reflect that the appropriate receiving document for purchase of furniture costing \$4,287 was received and reviewed by Accounts Payable staff prior to initiating payment.

STATUS

Implemented

RECOMMENDATION #4

The Department ensure that locations that receive equipment directly from vendors send copies of the receiving reports to Equipment Services in a timely manner.

RESPONSE

We agree with the recommendation. The Department will issue a bulletin to Office Heads throughout the Department emphasizing the requirement to forward receiving documents to Assets Management Accounts Payable staff immediately upon receipt. Assets Management initiates contact with the receiving location in any instance where an invoice is received but proof of delivery is not on file.

STATUS

Not Implemented: Target date - November 30, 2001

RECOMMENDATION #5

The Department ensure that personnel who order goods/services do not have accounts payable duties.

RESPONSE

We agree with the recommendation. The Department's accounts payable and procurement duties have been completely separated. Accounts payable accruals for FY 2000-01 were established by the Accounts Payable Unit.

STATUS

Implemented

RECOMMENDATION #6

The Department monitor to ensure that corrective action is taken to correct internal control weaknesses identified during the completion of the ICCP questionnaire.

RESPONSE

We agree with the recommendation. The Department developed a Fiscal Compliance Section which will perform the Internal Control Certification Program reviews and will assist with the implementation of corrective actions should any weaknesses be noted.

STATUS

Implemented

RECOMMENDATION #7

The Department ensure recommendations contained in the CAPS On-Line Vendor Payment Review report are effectively implemented and remain implemented.

→ **Recommendation #1 - CAPS On-Line Vendor Payment Review**

DPSS management ensure the accuracy of expenditure accruals by establishing accruals only for goods/services received as of June 30, 2001, but not yet paid.

Response

We agree with the recommendation. The FY 2000-01 accruals were established only for goods/services received as of June 30, 2001, but not yet paid.

Status

Implemented

→ **Recommendation #2 - CAPS On-Line Vendor Payment Review**

DPSS management periodically monitor accruals throughout the year so that if amounts are over accrued, remaining unspent balances are cancelled timely.

Response

We agree with the recommendation. The Department's Accounts Payable staff will monitor accruals, on a quarterly basis, beginning January 2002, and will cancel unspent balances as appropriate. Written instructions regarding this process will be issued to Accounts Payable staff.

Status

Not Implemented: Target date - November 30, 2001

→ **Recommendation #5 - CAPS On-Line Vendor Payment Review**

DPSS consistently search the CAPS Vendor Table before making a payment to determine whether the vendor has an existing vendor code.

Response

We agree with the recommendation. Written instructions will be issued to staff to reemphasize the requirement to consistently search the Cost Accounting And Procurement System (CAPS) Vendor Table for an existing vendor code before making a payment.

Status

Not implemented: Target date - November 30, 2001

➔ **Recommendation #8 - CAPS On-Line Vendor Payment Review**

DPSS management take the necessary steps to ensure payments are made to vendors within 30 calendar days, as required by County Fiscal Manual section 4.3.8.

Response

We agree with the recommendation. Written instructions will be issued to Assets Management and Fiscal Operations staff emphasizing the requirements that vendor payments be made no later and no earlier, unless discounts require, than 30 days from receipt of goods or services or receipt of the invoice, whichever is later. An Accounts Payable suspense file has been established to control payment dates.

Status

Not implemented: Target date - November 30, 2001

➔ **Recommendation #9 - CAPS On-Line Vendor Payment Review**

DPSS management ensure that, unless justified, vendor payments are not issued earlier than 30 calendar days from the date of receipt of the goods and services, or receipt of the invoice, whichever occurs later.

Response

We agree with the recommendation. Written instructions will be issued to Assets Management and Fiscal Operations staff reemphasizing the requirements that vendor payments be made no later and no earlier, unless discounts require, than 30 days from receipt of goods or services or receipt of the invoice, whichever is later. An Accounts Payable suspense file has been established to control payment dates.

Status

Partially implemented: Target date - November 30, 2001

RECOMMENDATION #8

The Department ensure accurate perpetual inventory records are maintained.

RESPONSE

We agree with the intent of the recommendation. We disagree, however, with the finding that the Department does not maintain perpetual inventory records. The perpetual inventory system (Inventory Management System) is in place and has been in continuous use and does account for quantities on-hand, additions and issuances.

STATUS

Implemented

RECOMMENDATION #9

The Department ensure that unsupervised access to inventory areas is restricted to authorized personnel only.

RESPONSE

We agree with the recommendation. The Department has increased the security level in inventory areas. A sign-in system has been implemented for all non-warehouse staff. Visitors are assigned badges, which they must wear while on warehouse premises and are escorted to warehouse locations by security and/or administrative staff. Three security guards were brought on board in March 2001 to safeguard supplies and equipment and to prevent unauthorized access to warehouse premises. Fixed security cages, and corresponding procedures for their use, have been expanded and enhanced for the storage of negotiable documents and items which are of high value and/or small and easily stolen. Six mobile security cages are also in use, in the shipping and receiving area for securing items as they are received and as they are staged for delivery to DPSS offices.

STATUS

Implemented

RECOMMENDATION #10

The Department instruct warehouse employees to park in the area designated for employee parking and not in the warehouse dock area.

RESPONSE

We agree with the recommendation. The Department has assigned parking spaces within the warehouse restricted area to specific managers and supervisors. The security guards ensure that unauthorized employees do not park in the restricted area.

STATUS

Implemented

RECOMMENDATION #11

The Department ensure that safety measures are adequately taken to reduce the risk of employee injury.

RESPONSE

We agree with the recommendation. In July 2001, existing racks were replaced with seismically anchored storage racks. In addition, a "Safety First" approach, which includes training in safe forklift techniques and signs emphasizing the importance of maintaining a safe work environment, was implemented.

STATUS

Implemented

RECOMMENDATION #12

The Department develop and maintain a fixed asset listing that identifies the unit/location of all fixed assets and conduct annual inventory of its fixed assets.

RESPONSE

We agree with the recommendation. A departmental inventory, which will identify both fixed assets and controlled equipment by section, will be completed by the end of the calendar year 2001. Information regarding assets will be maintained and updated in a database with full reporting capabilities. Annual inventories will be conducted beginning in calendar year 2002.

STATUS

Not implemented: Target date - December 31, 2001

RECOMMENDATION #13

The Department maintain a department-wide computer inventory listing that identifies the individuals assigned specific computer equipment.

RESPONSE

We agree with the intent of the recommendation. Computer equipment will be included in the Department's fixed asset/controlled equipment inventory. Items in this inventory will be identified by facility, floor, room number and budget code/organization identifier which will identify the accountable Office Head, not individuals. With thousands of personal computers and LEADER terminals (which may not be relocated without a considerable per unit charge) and significant movement among an employee population which numbers 13,500, it is not feasible to identify the equipment to individuals.

Additionally, the Department maintains a separate inventory listing of laptop computers and home use equipment (PC's, printers, monitors, etc.) that identifies the individual assigned the equipment. In most cases, laptops are assigned to individuals. In some cases, because of the need to share a laptop among several employees, laptops are assigned to a Section and a specific supervisor is listed as the responsible party.

STATUS

Partially implemented: Target date - December 31, 2001

RECOMMENDATION #14

The Department develop specific policies that address assigning computer equipment to non-County (Contract) employees. The policy should include the requirement to justify the reasons for providing non-County employees with County-owned equipment and procedures to specifically document/account for specific items being assigned to the non-County employees.

RESPONSE

We agree with the recommendation. The Department is reviewing the existing written policy to ensure that the written policy is in full compliance with this recommendation.

STATUS

Not Implemented: Target date - November 30, 2001

RECOMMENDATION #15

The Department require specific detailed written justification for home-use of DPSS-owned computer equipment.

RESPONSE

We agree with the recommendation. The Department is reviewing the written policy to ensure that all aspects of the written policy are in compliance with this recommendation.

STATUS

Not implemented: Target date - November 30, 2001

RECOMMENDATION #16

The Department reconcile the American Express billing statements to the approved travel requests.

RESPONSE

We agree with the recommendation. Fiscal Operations staff began this reconciliation process with the June 2001 billing statement. On an ongoing basis, billing statements will be reconciled to approved travel requests as they are received. Any charges for unapproved travel or charges billed incorrectly to the Department will be reported to the Auditor-Controller.

STATUS

Implemented

RECOMMENDATION #17

The Department ensure that the revolving fund custodians do not have other cash handling responsibilities.

RESPONSE

We agree with the recommendation. The supervisor of the Cashiers Unit is no longer the secondary custodian of either the Revolving Petty Cash Fund or the Cash Aid Fund.

STATUS

Implemented

RECOMMENDATION #18

The Department establish procedures requiring bid evaluations to meet and discuss their evaluations prior to awarding a contract.

RESPONSE

The Department agrees with the recommendation. The Department does have procedures in place which require bid evaluators to review and discuss evaluations prior to the recommendation of an award of contracts. In the instance noted in this review, the results were not properly recorded. The Contract Management and Monitoring Division will issue a contract memo reemphasizing the need to require bid evaluators to meet and ensure evaluation committees discuss their evaluations.

STATUS

Not implemented: Target date - December 31, 2001